Supreme Court, U.S.

No. 06-1526 R - 2007

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IN THE
SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 2006

CARPAD, INC. and
STEVEN SAYLOR, Petitioners,

v.

BROOKSTONE, INC., Respondent

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. In a patent infringement case, is the issue of obviousness a jury question?

2. Without a pre-existing court order, can a district court constitutionally sanction a plaintiff for communicating with potential class action plaintiffs and order the plaintiff to write to these potential plaintiffs dictating the exact content of the letters?

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* Asterisk denotes cases on which petitioners heavily rely.

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The petitioners respectfully pray that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Federal Circuit entered in this proceeding on October 5, 2006.

OPINION BELOW

The opinion of the Court of Appeals was not reported. The opinion only affirmed the decision of the district court.

JURISDICTION

The judgment of the court of appeals for the Federal Circuit was entered on October 5, 2006. A timely petition for rehearing *en banc* was denied on December 8, 2006, and this petition for certiorari was filed within 90 days of that date.

This court's jurisdiction is invoked pursuant to 28 U.S.C. §1254(1).

STATUTORY PROVISION INVOLVED

Title 35, United States Code:
§ 103. Conditions for patentability; non-obvious subject matter

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

§ 282. Presumption of validity; defenses

A patent shall be presumed valid. Each claim of a patent (whether in independent, dependent, or multiple dependent form) shall be presumed valid independently of the validity of other claims; dependent or multiple dependent claims shall be presumed valid even though dependent upon an invalid claim. Notwithstanding the preceding sentence, if a claim to a composition of matter is held invalid and that claim was the basis of a determination of nonobviousness under section 103 (b)(1), the process shall no longer be considered nonobvious solely on the basis of section 103 (b)(1). The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.

STATEMENT OF THE CASE

Carpad, Inc. and Steven Saylor filed suit against Brookstone, Inc. for patent, trademark and trade dress infringement, as well as for unfair competition. Carpad and Saylor own the trademark "Carpad," and have a patent, U.S. patent number 5,380,670, for a garage floor mat that protects the floor from leaks and spills. Petitioners filed suit in the United States District Court for Maryland. The case was transferred to the United States District Court for Nevada.

On a motion for summary judgment, the district court found that Mr. Saylor's patent was "obvious" and declared it to be invalid.

During discovery petitioners obtained the names of Brookstone customers who had purchased Brookstone's infringing product. Mr. Saylor wrote to these customers and informed them of Brookstone's fraudulent sales techniques (selling a knockoff of the Carpad as a real Carpad when it was copied by Brookstone in Taiwan). In stark contrast, the Carpad is made entirely in the United States. Brookstone had never sought to protect their customer information and did not seek, nor receive, a protective order. Nevertheless, the district court sanctioned petitioners and required Mr. Saylor to write a letter to all customers "correcting" his earlier correspondence.

In addition, the court barred Carpad from introducing evidence of trade dress infringement.

The court conducted a week-long trial on the remaining issue of trademark infringement. The court instructed the jury that it could find that Carpad was generic and not protected. The court determined that the violation was unintentional and took that issue from the jury. The jury found that Carpad was a generic term and not entitled to protection.

Reasons for Granting the Writ

The Decision Below Conflicts With Decisions of This Court

The decision of the Federal Circuit is contrary to the following decisions of the Supreme Court of the United States: *The Incandescent Lamp Patent*, 159 U.S. 465 (1895) and *Gulf Oil Company v. Bernard*, 452 U.S. 89 (1981). In the *Incandescent Lamp* case the Supreme Court ruled that earlier patents on the electric light bulb, like earlier patents on garage floor mats, did not invalidate Edison patent because the Edison light bulb actually worked and was commercially successful, while the earlier patented products failed in the marketplace.

In the *Gulf Oil* case the Supreme Court ruled that litigants have the right to send out letters to potential class action plaintiffs. The district court sanctioned appellant for doing this and the panel affirmed the sanction.

The Federal Circuit affirmed the decision of the district court without issuing an opinion. The district court determined that the patent issued to petitioners was invalid because of "obviousness."

The United States Supreme Court ruled that the First Amendment applies to communications with ***potential*** class action plaintiffs. *Gulf Oil Company v. Bernard*, 452 U.S. 89 (1981). In the *Gulf Oil* case the district court imposed an order limiting communications between plaintiff and class members. The Supreme Court stated:

> This order imposed a complete ban on all communications concerning the class action between parties or their counsel and any actual or potential class member who was not a formal party, without the prior approval of the court. 452 U.S. at 94, 95.

The Supreme Court ruled "an order limiting communications between parties and potential class members should be based on a clear record and specific findings that reflect a weighing of the need for a limitation and the potential interference with the rights of the parties." 452 U.S. at 101.

The district court in the case at bar did not weigh the competing factors as required by the Supreme Court, nor did it base its finding on a "clear record and specific findings" that reflected a "need for a limitation" of the rights of the parties. The Supreme Court requires that the First Amendment right to communicate be balanced with a party's rights. The district court below ordered petitioner Saylor to send a letter to all potential class members, all those who petitioner wrote to, to "correct" alleged errors in his earlier letter. The First Amendment and *Gulf Oil Company v. Bernard, supra*, do not allow a court to force a party to speak. The district court went far beyond limiting communications. If free speech means anything it means that no court, or other government official, can force a party to say something that the government wants to be said.

The First Amendment's mandate against forced speech was eloquently voiced by Justice Jackson during World War II in *West Virginia Board of Education v. Barnette*, 319 U.S. 624 (1943). Justice Jackson said: "If there is any fixed star in our constitutional constellation, it is that no official, high or petty, can prescribe what shall be orthodox in politics, nationalism, religion, or other matters of opinion, ***or force citizens to confess by word*** or act their faith therein." (emphasis added) 319 U.S. at 642. Here we have a court putting words into petitioner's mouth, words that he did not want to say. The Supreme Court has also ruled that citizens cannot be forced to endorse speech that has been approved by the state. *Wooley v. Maynard*, 430 U.S. 705, 714-15 (1977).

In addition to forcing petitioner to send out "corrective" letters, the court punished them by barring petitioners from introducing evidence on their trade dress claim.

Obviousness is an Issue for the Jury

Sometimes things are obvious only after they were invented, and hindsight leads us to believe that it was always obvious. Is the wheel obvious? Is the paperclip obvious? Is the staple obvious? Now these inventions are obvious, but they were not when they were first invented.

During oral argument in the recent case of *KSR International Co. v. Teleflex*, No. 04-1350, Chief Justice John G. Roberts said, "They say obviousness is deceptive in hindsight." Justice Roberts continued, "In hindsight everyone says I could have thought of that."

Lower federal courts found that the lightbulb was obvious because earlier patents were issued for lightbulbs. This decision was overturned in *The Incandescent Lamp Patent*, 159 U.S. 465 (1895). This court found that when an earlier patented product does not actually work, and was not commercially successful, that the new product's patent is valid if it actually works and is commercially successful.

The Carpad product actually worked and was commercially successful while two earlier patented products never worked properly, and were not commercially successful. The improvement in the Carpad patent that made it function was the use of a vinyl hose inserted in the perimeter sleeve of the Carpad. The Carpad inventor tried many different inserts in order to find one that actually worked.

Similarly, Thomas Edison's lightbulb contained a filament that actually worked, making his product commercially successful. Where an inventor improves on an earlier product, he is entitled to the benefits of his efforts.

When finding that an invention is "obvious" and overruling an experienced patent examiner's issuance of a patent, a district court should not have the right to take this decision away from a jury. If the patent examiner, necessarily qualified in evaluating inventions, finds that a patent is not obvious, how can a federal judge rule that no reasonable

person could find the device was not obvious? Is the patent examiner not a reasonable person? Petitioner submits that the examiner's finding of non-obviousness cannot and should not be allowed to be overturned by a federal judge sitting in a jury case.

Conclusion

The message that the Federal Circuit has sent to the world is loud and clear: "***U.S. patents are worthless***," ***and if you copy them you can probably get away with it.*** In order to protect the rights of patent and trademark holders, and to announce to the world that the United States protects the intellectual property of its inventors, this court should grant the petition for a writ of certiorari.

The United States government has been pressuring China to protect patents, copyrights and other intellectual property. If this court does not protect the rights of patent-holders, how can we expect foreign nations to do so?

The district court also sanctioned petitioners for writing letters to consumers who purchased copies of their products, advising them of a potential class-action lawsuit. The First Amendment has been infringed by the federal district judge who sanctioned petitioners and then ordered petitioners to send a "corrective" letter to potential class members.

For all of these reasons, the petition for a writ of certiorari should be granted.

Respectfully submitted,

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Appendix

Decision of the United States District Court, Judge Edward C.Reed, Jr.

Reno, Nevada, Wednesday, February 18, 2004.

The court at this time is prepared to announce its decision on the defendant's motion for summary judgment on patent infringement, number 57, and motion for summary judgment on the issues of trademark and trade dress infringement, number 82.

Oral arguments were presented this morning in respect to these motions.

Our statement of facts is based on the evidence presented to the court in conjunction with the summary judgment motions.

Preliminarily, I want to note a couple of things.

First, in regard to the summary judgment motions we consider only the evidence presented in that respect, we do not consider other things that may by chance be in the record, for example, evidence that may have come in during the consideration of the motion for preliminary injunction, unless it was specifically referred to by counsel in the papers.

The motion for preliminary injunction was decided on the basis of considerable oral testimony and other evidence, which may or not bear on what we are doing here in connection with these motions.

Secondly, at times here we may refer to the Perlman patent as the Park Smart patent, and the Saylor patent as the Carpad patent.

Plaintiffs Carpad and Steven Saylor, collectively, generally referred to in this order as Carpad, manufacture and distribute the Carpad, a vinyl mat place under a parked vehicle

to collect snow, oil, dirt, debris and any liquids that may fall from it.

The Carpad comes in six sizes and is rectangular in shape, it comes in silver and gold colors.

Mr. Saylor has a patent on the Carpad. And Carpad has a trademark on the name "Carpad."

Carpad sold its products through defendant Brookstone's catalogs from 1997 to 2003.

In 2001, Brookstone allegedly manufactured imitation car pads in Taiwan, we refer in that respect tc those pads as Brookstone or Taiwan products.

Brookstone began selling the Taiwan product in response to Carpad orders.

In October 2001, Carpad gave notice to Brookstone that the Taiwan product infringed on Carpad's patent.

Brookstone stopped selling the Taiwan product in December 2001 in response to Carpad's letter.

Carpad brought this suit against Brookstone in 2002.

Brookstone asserts that after unsuccessfully being sble to resolve the lawsuit in January 2003, it began selling Park Smart, a car mat manufactured by a company located in San Diego.

The Park Smart is also patented, as I mentioned a motion (sic) ago we refer to it as the Perlman or Park Smart patent.

In response, Carpad filed a motion for a preliminary injunction, number 33, seeking an order prohibiting Brookstone from selling Park Smarts.

That motion was denied by the court on August 1, 2003, document number 52.

Carpad asserts that Park Smart looks very similar to the Carpad and has the same visual presentation.

It asserts that Park Smart comes in the same sizes and colors as the Carpad and used the same color of ink on its logo.

Carpad alleges that when consumers place an order giving the Carpad product number of name, Brookstone ships out the Park Smart.

Bookstone also notes that although the Park Smart product is not mentioned in Carpad's complaint, Carpad argues that Park Smart violated Carpad's patent and trade dress rights.

Carpad claims that the complaint is sufficient to alleged claims against both the Taiwan product and the Park Smart product.

Carpad also asserts a claim for violation of trademark antidilution laws.

On August 12, 2003, Brookstone filed a motion for summary judgment, number 57/58, on Carpad's patent infringement claims.

Brookstone argues that the Saylor patent is invalid because it is anticipated by prior art, namely the Schumacher and Robel patents.

Brookstone also claims that the Saylor patent is invalid as obvious in light of the prior art.

Finally, Brookstone asserts that the Park Smart does not infringe on the Saylor patent.

On November 17, 2003, Brookstone filed a second motion for summary judgment, number 82, on Carpad's claims for trademark and trade dress infringement, trademark dilution and unfair competition relating to the Park Smart.

Summary judgment allows courts to avoid unnecessary trials where no material factual dispute exists, *Northwest Motorcycle Association v. U.S. Department of Agriculture*, 18 F.3d 1468, 1471, Ninth Circuit, 1994.

The court must view the evidence and the inferences arising therefrom in the light most favorable to the nonmoving party, *Bagdadi v. Nazar*, 84 F.3d 1194, 1197, Ninth Circuit, 1996.

And should award summary judgment where no genuine issue of material fact remains in dispute, and the moving

party is entitled to judgment as a matter of law, federal rule of civil procedure 56(c).

Judgment as a matter of law is appropriate where there is no legally sufficient evidentiary basis for a reasonable jury to find for the non-moving party, citing rule 50(a).

Where reasonable minds could differ on the material facts at issue, however, summary judgment should not be granted. *Warren v. City of Carlsbad*, 58 F3d. 439, 441, Ninth Circuit, 1995.

The moving party bears the burden of informing the court for the basis of its motion, together with evidence demonstrating the absence of any genuine issue of material fact. *Celotex Corporation v. Catrett*, 477 U.S. 317, 323, 1986.

Once the moving party has met its burden, the party opposing the motion may not rest upon mere allegations or denials in the pleadings, but must set forth specific facts showing there exists a genuine issue for trial. *Anderson v. Liberty Lobby,* 477 U.S. 242, 248, 1986.

Although the parties may submit evidence in an inadmissible form, namely depositions, admissions, interrogatory answers, and affidavits, only evidence which might be admissible at trial may be considered by the trial in ruling on a motion for summary judgment, civil rule 56(c). *Beyene v. Coleman Security Services*, 854 F.2d 1179, 1181, Ninth Circuit 1988.

In deciding whether to grant summary judgment a court must take three necessary steps:

One, it must determine whether a fact is material.

Two, it must determine whether there exists a genuine issue for the trier of fact as determined by the documents submitted to the court.

And three, it must consider that evidence in light of the appropriate standard of proof. *Anderson v. Liberty Lobby*, at 248.

Summary judgment is not proper if material factual issues exist for tiral, *B.B. v. Plumas Unified School District*, 192 F.3d 1260, 1264, Ninth Circuit, 1999.

As to materiality, only disputes over facts that might affect the outcome of the suit under the governing law will properly preclude the entry of summary judgment, disputes over irrelevant or unnecessary facts should not be considered. Citing the *B.C.* case for that proposition.

Whether there's a complete failure of proof on an essential element of the non-moving party's case, all other facts become immaterial and the moving party is entitled to judgment as a matter of law, *Celotex*, at 323.

Summary judgment is not a disfavored procedural shortcut, but rather an integral part of the federal rules as a whole citing *Celotex*.

We next deal with the claim construction.

The first step when analyzing both invalidity and infringement is claim construction. *Amazon.com v. Barnesnoble.com*, 239 F.3d 1343, 1351, Federal Circuit, 2001.

Only when a claim is properly understood can a determination be made whether the claim read on an accused device, or method, or whether the prior art anticipates and/or renders obvious the claimed invention, citing *Amazon*.

Claim construction is a matter of law, a question of law reserved for the court, *Markman v. Westview Instruments*, Inc. 517 U.S. 370, 1996.

As was the case during the preliminary injunction hearing, the parties do not dispute the Saylor patent's claim language.

In addition, the claim language is not technologically or linguistically complex.

As a result, it is not necessary for the court to conduct a separate *Markman* hearing for the purpose of claim construction before ruling on Brookstone's motion. *Vivid Techs, Inc. v. American Science and Engineering, Inc.*, 200 F.3d 795, at 803, Federal Circuit, 1999.

Only those terms need be construed that are in controversy, and only to the extent necessary to resolve the controversy.

For the purposes of the present motion, the terms used in the Saylor patent will generally be given their plain and ordinary meaning, *Electric Planroom, Inc. v. McGraw-Hill Companies, Inc.,* 135 F.Supp.2d 805, at 831-2, note 25, Eastern District of Michigan, 2001.

It will be useful for us to read the Saylor patent claims into the record.

The Saylor patent contains four claims:

1, A pad for positioning underneath a vehicle or collecting an retaining fluid and solid materials falling from the vehicle, comprising a flat and generally rectangular base of vinyl material having outer edge portions folded over and affixed to the base material, thereby forming a hollow pocket extending along a length of each of the edge pockets, thereby forming raised sides and creating , with a flat portion for the pad, a basin to contain the materials falling from the vehicle.

2, A pad according to claim 1, wherein the outer edge portions of the base are folded over, and welded to the base material.

3, A pad according to claim 2 wherein the tubular member is reinforced hose.

4, A pad according to claim 3, wherein the corners of the base are trimmed at an angle of 45 degrees.

We deal next with the issue of obviousness, and the invalidity of the Saylor patent.

According to 35 United States Code, Section 103(a), a patent may not be obtained if differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.

The ultimate determination of whether an invention would have been obvious under section 103(a) is a legal conclusion based on the underlying findings of fact, *Ve-*

lander v. Garner, 348 F.3d 1359, 1363, Federal Circuit, 2003.

The underlying factual inquiries include an analysis of four criteria, first articulated in *Graham v. John Deere Company*, 383 U.S. 1, 1966.

Those criteria are as follows:

One, the scope and content of the prior art.

Two, the differences between the claimed invention and the prior art.

Three, the level of ordinary skill in the art.

And four, secondary considerations, if any, of non-obviousness. Citing *McNeill-PPC, Incorporated v. Perrigo Company*, 337 F.3d 1362, 1368, Federal Circuit, 2003, citing Graham at pages 17 and 18.

After taking account of the four *Graham* criteria, a court completes its obviousness analysis by considering whether the subject matter of the challenged patent as a whole would have been obvious to a person having ordinary skill in the art, to which said subject matter pertains.

The Federal Circuit has counseled that section 103(a)'s "person having ordinary skill in the art" is not unlike the common law's "reasonable person." *Penduit v. Dennison Company*, 810 F.2d 1561, 1566, Federal Circuit, 1987.

To reach a proper conclusion under section 103, the decisionmaker must step backward in time and into the shoes worn by that "person," when the invention was unknown and just before it was made.

In light of all the evidence, the decisionmaker must then determine whether the patent challenger has convincingly established that the claimed invention as a whole and may not use hindsight as a basis for its ruling. *Hodosh v. Block Drug Company*, 786 F.2d 1136, 1143, note 5, Federal Circuit, 1986.

We address next scope and content of prior art.

The scope of the prior art includes art that is reasonably pertinent to the particular problem with which the invention was involved. *Ruiz v. A.B. Chance Company*, 234 F.3d 654,

664, Federal Circuit, 2000, quoting *Stratoflex v. Aeroquip Corporation,* 713 F.2d 1530, 1535, Federal Circuit, 1983.

The Schumacher and Robel patents easily fit this definition, because they address the problem of designing a pad or container with raised edges to be placed underneath a vehicle, while it is parked in a garage, thereby collecting debris and liquids that fall from the vehicle.

This is the same problem as the Saylor patent addresses.

We next address the differences between the claimed invention, the Saylor patent, and the prior art.

First, all three inventions are made with rectangular pieces of material.

The Saylor patent indicates that vinyl should be used and the Robel patent also endorses the use of vinyl.

The Schumacher patent says a plastic sheet of material can be used.

Second, all three patents instruct that the edges of the material should be folded inward and attached to the based material, thereby forming a pocket.

Claim 2 of the Saylor patent says that this task should be accomplished by welding the material together.

Similarly, the Robel patent endorses the use of heat to effect the mechanical bond, and Schumacher says the preferred embodiment would use a thermal bonding technique.

Third, all of the patents say that a material should be inserted into the pockets formed at the edges of the material.

In the Saylor patent this material is reinforced hose.

In the Schumacher patent it is either air, or cylindrical foam tubing, and in the Robel patent the material can be foam, plastic or another resilient material.

The material used in the Robel patent is square or rectangular in shape, rather than cylindrical.

Both the Schumacher and Robel patents, however, explain that the material should be compressible and resilient allowing a car to drive over the edge of the invention without permanently deforming it.

Fourth, in all of the inventions the material is inserted into the sleeve pockets for the purpose of increasing the height of the invention's edges in comparison to the rest of the material.

These raised edges then act as a barrier containing anything that falls from the vehicle.

Consequently, the only real difference in the Saylor patent from the other patents is the use of reinforced hose to form the edges of the Carpad.

The use of any sort of material that was compressible and resilient to insert in the perimeter sleeve to create the raised edges of the pad would be readily suggested to a person of ordinary intelligence and suitable to fill the sleeve at the edge of the pad.

That would certainly include something like a hose.

Parenthetically, one has to question in general terms the patentability of a vinyl pad with raised perimeter edges.

It doesn't seem like a very new or novel idea, it doesn't seem like something you ought to be able to prevent others from manufacturing and selling, no matter how you doll it up.

We next address the question of level of ordinary skill in the art.

The parties have not introduced evidence regarding the level of ordinary skill in the art relevant to this case, however, because the subject matter of the Saylor patent is so easily understandable, a factual determination of the level of the skill in the art is unnecessary. *Chore-Time Equipment, Inc. v. Cumberland Corporation,* 713 F.2d 774, 779, Federal Circuit, 1983.

In analyzing obviousness in this case, then, we may rely on the level of skill possessed by a common layman of ordinary intelligence, *Litton Industries Products, Inc. v. Solid State Systems Corporation,* 755 F.2d 158, at 163-4, Federal Circuit, 1985, *Cable Electric Products, Inc. v. Genmark, Inc,* 582 F. Supp. 93, and 96, Central District of California.

We next address the question of secondary consideration.

There is sparse evidence in the record on secondary considerations, the only evidence contained in Mr. Saylor's affidavit in which Mr. Saylor in very conclusory terms states that the Schumacher and Robel devices were never comercially produced.

There's no indication as to what the basis for that information is, except Mr. Saylor's experience in the area generally.

Additionally, although there is no specific evidence of this fact, it seems generally agreed by the parties that Carpad has been commercially successful.

There is no evidence in the record concerning a long felt but unresolved need for a product such as a Carpad.

We conclude that the subject matter of the Saylor patent has been shown by clear and convincing evidence to be obvious, and therefore the patent of Mr. Saylor is invalid.

It is not necessary for us to reach the issues of invalidity by reason of claimed anticipation by Schumacher and Robel patents.

Also, we do not reach the issue of whether the Park Smart product infringes the Saylor patent.

We find there are no genuine issues of material fact with respect to the issues relating to obviousness.

Therefore, Ms. Clerk, the minutes of the court will reflect the following:

Defendant's motion for summary judgment, number 52, on plaintiff's patent infringement claims is granted.

Correct that, Ms. Clerk, I've got the wrong number, it's 57, rather than 52, 57 is plaintiff's motion—excuse me, is defendant's motion.

UNITED STATES DISTRICT COURT
DISTRICT OF NEVADA
RENO, NEVADA

CARPAD, INC. and STEVEN SAYLOR	)CV-N-02-0557-ECR (VPC))
Plaintiffs,	)) ORDER
vs.	))
BROOKSTONE COMPANY, INC.)	)
Defendant.	)

Factual and Legal History

Plaintiffs Carpad and Steven Saylor ("Plaintiffs") filed an objection (#151) to an order (#147) of Magistrate Judge Valerie P. Cooke on the grounds that it lacked legal basis and violates Plaintiffs' First Amendment rights.

Plaintiffs brought this action against Defendant Brookstone Company, Inc. for patent, trademark, and trade dress infringement, and for unfair competition. (Pls' Compl.) (#1). Plaintiffs advertised their CarPad® product in the Brookstone catalogs which are distributed nationwide. Id. Plaintiffs allege that Defendant began selling a product similar to CarPad® in 2001 and brought this suit against Defendant in 2002. Id.

Pursuant to a motion to compel discovery (#74), Maguistrate Judge Cooke ordered Defendant over its objections to release its customer lists to Plaintiffs "for the purpose of conducting consumer surveys." (#91 at 4). Defendant complied with the order, but expressed its privacy concerns with Plaintiffs and reached an agreement whereby Defendant would review Plaintiffs' survey "to ensure it did

not contain any legally or factually inaccurate statements" prior to providing customer information. (#136, Exh. B).

Defendant never received a completed consumer survey and Plaintiffs have not demonstrated that such a survey exists. (#135 at 4). Rather, Defendant claims that it leanred that Plaintiffs used the customer lists to defame Brookstone to its customers from Plaintiff Steven Saylor in which Plaintiff Saylor claims, among other things, that Bookstone has defrauded its customers, infringed on Plaintiffs' patent and that a class action lawsuit is being filed to which the recipient is invited to join. (#136, Exh.F). In response to learning of this letter, Defendant filed a Motion to Bar Plaintiffs'Trade Dress Survey, Compel Plaintiffs To Return or Destroy Defendant's Customer Lists, and Other Specified Relief (#134-137). Plaintiffs opposed (#142) and the Magistrate Judge ruled in favor of Defendant as follows (#147):

1. Defendant's motion to bar Plaintiffs' trade dress survey was granted.
2. Defendant's motion to compel Plaintiffs to return or destroy defendant's list was granted, with Plaintiffs ordered to complete that action by December 27, 2004, and filed affidavits of compliance by December 29, 2004.
3. Defendant's motion for attorneys fees was granted with the caveat that the apportionment of 75% by Plaintiffs and 25% by Plaintiffs' counsel would be reconsidered depending on the findings from affidavits attesting the facts and background of the above-described letters, which Plaintiffs and their counsel were ordered to filed by December 8, 2004.
4. Defendant's motion to sanction plaintiff's counsel was denied without prejudice.
5. Defendant's motion to compel Plaintiffs to send remedial letters was granted. Plaintiffs were ordered to draft and provide a letter to Defendants by December 9, 2004, with the following information: (1) Carpad, Inc. and President Steven Saylor are engage in civil litigation with

Brookstone, Inc. over Brookstone's alleged infringement of and unfair competition with the CarPad® brand; (2) the litigation has not yet concluded, and Brookstone has not been found liable on any claims brought by Plaintiffs; (3) Carpad acquired customer information from Brookstone by a court order to survey and evaluate customer opinions about CarPad and Brookstone; (4) CarPad misused the custome information in contacting customers regarding the possible class-action lawsuit, resulting in a court order sanctioning CarPad and requiring CarPad to send this letter to all persons and entities that received the original class-action letter; and (5) there is no class-action lawsuit to date, and CarPad cannot guarantee any result in the event that such class action lawsuit is filed in the future.

Plaintiffs filed Objections (#151) to the Magistrate Judge's Order claiming that (1) because no protective order was sought by Defendant, there were no limits to Plaintiffs' used of the discovery and the Plaintiffs did not violate the discovery order, (2) Plaintiffs has a First Amendment right to communicate with customers and the order compelling remedial letters further violates Plaintiffs' First Amendment rights, and (3) Magistrate Judge had no valid authority for her order.

Discussion:

1. Plaintiffs Violated the Magistrate Judge's Discovery Order

The scope of the discovery order entered by the Magistrate Judge was limited in purpose by both its clear language and by the circumstances surrounding the order. The words "for the purpose of" imply that only one purpose was considered and permitted. In addition, Defendant's express concerns with the privacy interests of its customers, both in its objections and in the agreements it reached with Plaintiffs, underscores the parties' understanding of the expected

use of discovery. Plaintiffs' divergent and poten-tially harmful use of its discovery outside the scope of the order and its own agreement with Defendant implicates a bad faith disregard of both the order and its agreements.

1. The Magistrate Judge's Order (#147) Does Implicate Plaintiffs' First Amendment Rights; However, It Need Only Be Amended Slightly in oder To Provide the Least Restricting Means of Furthering The Compelling Governmental Interest of Ensuring A Fair Tribunal.

The Magistrate Judge's original order (#91) providing for the discovery of customer lists did not implicate Plaintiffs' First Amendment rights by limiting the use of those lists and thus preventing Plaintiffs from communicating with potential class action members. *Gulf Oil Co. v. Bernard,* 452 U.S. 89 (1981), cited by Plaintiffs, is inapplicable because it deals with an existing class action, finding that an order in that case preventing class-action plaintiffs from communicating with each other entirely would impede the legal process. In this case, however, Plaintiffs are not being prevented ntirely from communicating with potential class members during a pending class action suit. Rather, Plaintiffs are being told they cannot use specific discovery obtained in one case for any purpose other than the specified purpose of conducting consumer surveys relevant for that case. Plaintiffs' right to locate and contact potential class actors by their own means has not been infringed.

However, the Magistrate Judge's order (#147) compelling the writing and sending of remedial letters does implicate First Amendment concerns. "Mandating speech that a speaker would not otherwise make necessarily alters the content of the speech." *Riley v. Nat'l Fed'n of the Blind of N.C., Inc.,* 487 U.S. 781, 795 (1988). Content-based speech restrictions require strict scrutiny analysis. *Turner Broadcasting Sys. v. Fed. Comm. Comm'n.,* 512 U.S. 622,

642 (1994). Thus the Magistrate Judge may only compel speech in the form of remedial letters if such speech is necessary to achieve a compelling government purpose and is the least restrictive means for achieving that purpose. See *U.S. v. Playboy Entm't Group, Inc.*, 529 U.S. 803, 813 (2000).

This court find that ensuring the integrity of the judicial process is a compelling government interest and that some form of remedial action for the Plaintiffs' violation of the Magistrate Judge's order is necessary. However, this court also finds that some of the points required by the Magistrate Judge for the Plaintiff to included it its letter go beyond the least restrictive means of furthering that interest by compelling the Plaintiff to use speech with which it may disagree. In particular, this court is concerned that the use of the words "misuse" and "sanction" unnecessarily require the Plaintiffs to characterize their actions and the actions of the Magistrate Judge in a manner abhorrent to their beliefs about those actions. This court finds that the compelling governmental interest can best be served by limiting the letter to the relevant facts regarding the status of this lawsuit and the non-existence of a class-action suit and excluding any qualitative statements about Plaintiffs' actions. Thus, this court orders that paragraph #4 of the remedial letter's required statements be amended to read as follows:

> (4) CarPad's use of customer information in contacting customers regarding the possible class-action lawsuit was not permitted by the court's original discovery order, and thus CarPad has been ordered to send this remedial letter to all persons and entities that received the original class-action letter.

2. The Magistrate Judge Had Valid Authority for the Bar Order.

This court finds that authorities cited by the Magistrate Judge in her order are good law and provide authority to make ruling conducive to the conduct of a fair and orderly trial, including imposing punishment for bad faith actions of parties.

IT IS HEREBY ORDERED that the Magistrate Judge's order is affirmed and approved as modified.

IT IS FURTHER ORDERED that the stay of the Magistrate Judge's order is lifted.

IT IS FURTHER ORDERED that the dates of compliance ordered by the Magistrate Judge are modified as follows: Plaintiffs shall submit to Defendant a remedial letter drafted in accordance with the Magistrate Judge's order as modified above by December 30, 2004. Defendant may make any reasonable changes to the letter and submit it to Plaintiffs no later than January 6, 2005. If further dispute arises concerning the contents of the letter, Defendant's counsel shall contact the calendar clerk for the Magistrate Judge no later than Monday, January 10, 2005, to schedule a telephonic hearing for a date to be fixed by the Magistrate Judge. Once completed, Plaintiffs shall mail the letter at their own expense to all persons and entities who received the original class-action letter by a date to be fixed by the Magistrate Judge. Plaintiffs shall also have until a date to be fixed by the Magistrate Judge to file a notice of mailing with the court, attaching the letter and a certificate of service signed by Plaintiffs' counsel, attesting that the mailing has been completed in accordance with this order. If no dispute is reported to the Magistrate Judge concerning the contents of the letter by January 10, 2005, the Magistrate Judge shall by order fix the dates by which the letter shall be mailed and notice of mailing shall be filed with the court.

IT IS FURTHER ORDERED that the dates of compliance ordered by the Magistrate Judge are modified as follows in regard to the attorneys' fees:

Plaintiffs will have until December 30, 2004, to file affidavits attesting to the facts and background leading to the drafting and mailing of the class-action letter for the Magistrate Judge's consideration in possibly reapportioning attorney's fees. Defendant's counsel shall submit attorney's fees and costs to the court by January 6, 2005.

This 20 day of December, 2004.

/s/ EDWARD C. REED
UNITED STATES DISTRICT JUDGE

Supreme Court, U.S.
FILED
MAR 7 - 2007
OFFICE OF THE CLERK

No. 061526

IN THE
SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 2006

CARPAD, INC. and
STEVEN SAYLOR, Petitioners,

v.

BROOKSTONE, INC., Respondent

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

PETITIONERS' SUPPLEMENTAL APPENDIX

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UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

CARPAD, INC. and STEVEN SAYLOR, Plaintiffs-Appellants, v. BROOKSTONE COMPANY, INC., Defendant-Appellee.

06-1164

200 Fed. Appx. 989;2006 U.S. App. LEXIS 25712

October 5, 2006, Decided

October 5, 2006, Filed

NOTICE: RULES OF THE FEDERAL CIRCUIT COURT OF APPEALS MAY LIMIT CITATION TO UNPUBLISHED OPINIONS. PLEASE REFER TO THE RULES OF THE UNITED STATES COURT OF APPEALS FOR THIS CIRCUIT.

JUDGES: MICHEL, Chief Judge, LOURIE and SCHALL, Circuit Judges.

OPINION: Judgment

This CAUSE having been heard and considered, it is

ORDERED and ADJUDGED:

Per Curiam:

AFFIRMED. See **Fed. Cir. R. 36**.

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

CARPAD, INC. and STEVEN SAYLOR, Plaintiffs-Appellants, v. BROOKSTONE COMPANY, INC., Defendant-Appellee.

06-1164

2006 U.S. App. LEXIS 32275

December 8, 2006, Decided, December 8, 2006, Filed.

NOTICE: THIS DECISION WAS ISSUED AS UNPUBLISHED OR NONPRECEDENTIAL AND MAY NOT BE CITED AS PRECEDENT. PLEASE REFER TO THE RULES OF THE FEDERAL CIRCUIT COURT OF APPEALS FOR RULES GOVERNING CITATION TO UNPUBLISHED OR NONPRECEDENTIAL OPINIONS OR ORDERS.

OPINION: ORDER

A petition for rehearing en banc having been filed by the Appellant, and the matter having first been referred as a petition for rehearing to the panel that heard the appeal, and thereafter the petition for rehearing en banc having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is ORDERED that the petition for rehearing be, and the same hereby is, DENIED and it is further ORDERED that the petition for rehearing en banc be, and the same hereby is, DENIED.

The mandate of the court will issue on December 15, 2006.

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③

No. 06-1526

FILED
JUN 18 2007
OFFICE OF THE CLERK
SUPREME COURT, U.S.

In The

Supreme Court of the United States

CARPAD, INC. and STEVEN SAYLOR,

Petitioners,

v.

BROOKSTONE, INC.,

Respondent.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

BRIEF IN OPPOSITION

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QUESTIONS PRESENTED

1. The District Court granted Respondent's motion for summary judgment, and held that Petitioners' patent was obvious under Section 103 of the Patent Code in light of two prior art references. Neither of the references was provided to the Patent Office, or disclosed in Petitioners' patent. The Federal Circuit has long held that obviousness is a question of law. Petitioners have identified no authority from any circuit to the contrary.

Have Petitioners presented compelling reasons to grant the Petition, based solely on their belief that obviousness should always be a jury question?

2. The District Court found that Petitioners violated a discovery order by using Respondent's confidential and proprietary customer information to send out damaging letters to Respondent's customers, urging those customers to join a class action lawsuit that had not yet been filed (and which has never been filed). The District Court sanctioned Petitioners for their misconduct, and ordered them to send a remedial letter to Respondent's customers. The District Court applied a strict scrutiny analysis to the content of the letter, and found that ensuring the integrity of the judicial process was a compelling government interest.

Have Petitioners presented compelling reasons to grant the Petition, when there was no class action pending or ever filed, and the court applied the highest level of scrutiny to the content of the remedial letter?

CORPORATE DISCLOSURE STATEMENT PURSUANT TO SUPREME COURT RULE 29.6

Respondent Brookstone Company, Inc. does not have a parent corporation and there is no publicly held company that owns more than 10% or more of its stock.

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INTRODUCTION

Petitioners seek a writ of *certiorari* to review two rulings from the District Court below, both of which were affirmed by the Federal Circuit: (1) the District Court ruling granting summary judgment for Respondent, because Petitioners' patent was obvious under Section 103 of the Patent Code; and (2) the District Court ruling sanctioning Petitioners for violating a discovery order, and requiring them to write a narrowly tailored remedial letter to Respondent's customers.

On both issues, Petitioners have presented no "compelling reasons" supporting their Petition for a Writ of *Certiorari*. *See* Sup. Ct. R. 10. Petitioners make no effort to demonstrate that the Federal Circuit's October 5, 2006 order – affirming *per curiam* the District Court ruling – conflicts with a decision of another Court of Appeals, or that the Federal Circuit has decided an important federal question in a way that conflicts with a decision by a state court of last resort. *See* Sup. Ct. R. 10(a). Moreover, the District Court followed all applicable precedents, adhered to well-established Federal Circuit case law regarding the obviousness issue, and applied the highest standard of First Amendment scrutiny to the remedial letter it ordered Petitioners to send. Thus, Petitioners cannot – in fact, they have not even tried – to establish that the Federal Circuit "has so far departed from the accepted and usual course of judicial proceedings, or sanctioned such a departure by a lower court, as to call for an exercise of this Court's supervisory power." *See* Sup. Ct. R. 10(a).

Instead, Petitioners' sole articulated basis for seeking a writ of *certiorari* is that the Federal Circuit's decision conflicts with two decisions from this Court, *Consolidated*

Electric Light Co. v. McKeesport Light Co., 159 U.S. 465 (1895) (which Petitioners refer to as *The Incandescent Lamp Patent*), and *Gulf Oil Co. v. Bernard*, 452 U.S. 89 (1981). (Pet. at 4; *see also* Sup. Ct. R. 10(c).) The Federal Circuit's October 5, 2006 order does not conflict with either of these cases.

This Court's decision in *Consolidated Electric* has no bearing on the District Court's obviousness ruling for two reasons. *First*, *Consolidated Electric* was decided in 1895. The obviousness test – which the District Court relied on to invalidate Petitioners' patent – was not added to the patent code until 1952. Thus, the Federal Circuit's October 5, 2006 order affirming the District Court's obviousness ruling does not conflict with *Consolidated Electric* because that case did not even address the obviousness test used to invalidate Petitioners' patent. *Second*, Petitioners assert that *Consolidated Electric* requires the court to consider secondary considerations such as the commercial success of prior art inventions and later patents. (Pet. at 4, 6.) Although commercial success is one component of the obviousness analysis, the District Court specifically found that Petitioners had offered no credible evidence regarding the commercial success of the two prior art references. Because the District Court had no evidence of secondary considerations, the obviousness question was a question of law, and summary judgment was appropriate.

Similarly, the *Gulf Oil* decision is also completely inapposite to Petitioners' First Amendment claims. The District Court correctly ruled that *Gulf Oil* was inapplicable, because that case involved an order barring communications between class members in an *existing* class action. There was no class action pending in the proceedings below, which means there were no class members to

communicate with. Moreover, the District Court properly held that Petitioners were not barred from communicating with potential class members through other means; however, Petitioners could not mislead and deceive the court and violate court orders. The Federal Circuit affirmed this ruling.

In short, Petitioners have utterly failed to carry their burden of demonstrating that there are any compelling reasons for this Court to grant the Petition. Accordingly, the Petition should be denied.

STATEMENT OF THE CASE

Petitioners manufacture and distribute an item called the Carpad, which is a vinyl mat that may be placed under a parked vehicle to collect snow or debris that may fall from the vehicle. (Pet. App. at 8-9.) On May 3, 1994, the United States Patent and Trademark Office (USPTO) issued Patent Number 5,308,670 to Petitioners for the Carpad product. The '670 Patent contained one independent claim:

> A pad for positioning underneath a vehicle . . . comprising a flat and generally rectangular base of vinyl material having outer edge portions folded over and affixed to the base material thereby forming a hollow pocket extending along each edge of the base, and a tubular member inserted into and extending along a length of each of the edge pockets, thereby forming raised sides and creating, with a flat portion of the pad, a basin to contain the materials falling off the vehicle.

(Resp. App. 2.)

In other words, Petitioners obtained a patent for a rectangular vinyl mat that sits underneath a car and collects fluids, dirt and debris.

Respondent is a New Hampshire company that sells consumer products and "hard-to-find tools" through catalogs, over the Internet, and at retail stores throughout the country. Petitioners sold their Carpad product through Respondent's catalogs from 1997 to 2003. (Pet. App. 9.) In 2001, Respondent began selling its own vinyl mats. (Pet. App. 9.) In response to a complaint from Petitioners, Respondent stopped selling its mats in December 2001 (even though it had no obligation to do so). (*Id.*) Although Respondent voluntarily stopped selling its mats, Petitioners nonetheless sued Respondent in 2002, asserting claims for, *inter alia*, patent infringement and trade dress infringement. (Pet. App. 18.)

On February 18, 2004, United States District Court Judge Edward C. Reed, Jr. granted Respondent's motion for summary judgment on the patent infringement claim. (Pet. App. 8.) Noting that Petitioners' alleged invention "doesn't seem like a very new or novel idea," (Pet. App. 16), Judge Reed determined that Petitioners' claimed invention was obvious, under 35 U.S.C. § 103, in view of two patents: U.S. Patent No. 4,671,024 to Schumacher, and U.S. Patent No. 3,661,227 to Robel. (Pet. App. 15-17.) Petitioners did not disclose either Schumacher or Robel to the USPTO, and the USPTO did not examine either reference before granting the '670 patent. (Resp. App. 1.) In granting Respondent's motion for summary judgment, Judge Reed conducted an extensive review of the Schumacher and Robel patents, as well as the '670 patent, and concluded that "the subject matter of the Saylor ['670] patent has been shown by clear and convincing evidence to be

obvious, and therefore the patent of [Petitioners] is invalid." (Pet. App. 17.)

Petitioners now contend that obviousness is always a question for the jury, and therefore summary judgment was inappropriate. (Pet. at 6.)

As stated, Petitioners also alleged a claim against Respondent for trade dress infringement. (Resp. App. 4.) During the course of discovery, Petitioners sought from Respondent internal documentation showing the names, addresses and phone numbers of every Brookstone customer (i.e., literally thousands of people) who ordered Carpads or Brookstone car mats, so that Petitioners, ostensibly, could conduct a "consumer survey" in support of their trade dress claim. (Resp. App. 5.)

Respondent initially resisted this discovery because the information sought was irrelevant and confidential, however, United States Magistrate Judge Valerie P. Cooke ordered Respondent to produce the requested documentation, but *only* to "permit [Petitioners] to obtain consumer information from [Respondent] *for the purposes of* conducting consumer surveys." (Resp. App. 5.) Prior to producing this documentation, Respondent reiterated to Petitioners its concerns that the information was confidential and proprietary. (Resp. App. 5.) Before it would produce the sensitive information, Respondent first required Petitioners to provide advance copies of any survey questions, so that Respondent could "ensure that the survey did not contain any legally or factually inaccurate statements." (Resp. App. 5.) Respondent produced the customer information only after Petitioners provided the advance questions, and only after Respondent twice confirmed the

limited scope of the purpose of production pursuant to the Court's order. (Resp. App. 5.)

Petitioners had no intention of conducting any consumer survey. Instead, their apparent intent was to obtain Respondent's confidential information – and in the process deceive the District Court as to their true intentions – to gain support for a non-existent class action against Respondent. Several months passed after Respondent produced its customer list. (Resp. App. 5-6.) Petitioners never produced any consumer survey. There is no evidence in the record that Petitioners even attempted to conduct a consumer survey. (Resp. App. 10.) Instead, Petitioners misused Respondent's customer list and deliberately violated the plain and unequivocal language of Magistrate Judge Cooke's order by using the names on the confidential list to send a form letter to thousands of Respondent's customers to try to persuade them to join a "class action lawsuit that is being filed" against Brookstone (no class action was ever filed). (Resp. App. 6.)

The letters contained false and malicious statements, and were inflammatory and harmful to Respondent:

> BROOKSTONE infringed on our patent, copyright and trademarked material by secretly manufacturing our CARPAD in Taiwan and then marketing it to you and thousands of others as a genuine CARPAD, proudly MADE IN THE USA, using our full page advertisement in their catalog.
>
> This is clearly an unlawful act and Brookstone's actions in this matter are so flagrantly wrong and unjustified in stealing our product and then selling you a phony knockoff just to fatten their own pockets at your and our expense. Unable to

> resolve this matter with Brookstone we filed a Federal lawsuit against Brookstone, which is currently going forward.
>
> There is legal recourse for you. Brookstone has clearly defrauded you and therefore you are eligible to join a Class Action Lawsuit that is being filed in Federal Court. There is no expense to you and you will be eligible to receive a portion of the settlement monies that will be awarded.

(Resp. App. 6.)

Petitioners concluded by telling Respondent's customers, "I hope you are as outraged as those of us at CARPAD by BROOKSTONE's greed and abusive behavior at the expense of all of us." (Resp. App. 6-7.) There was no class action lawsuit pending when Petitioners sent this letter. As stated, to this date, Petitioners have never filed any class action lawsuit against Respondent in any federal or state court.

Magistrate Judge Cooke sanctioned Petitioners for violating her order, and ordered them to write remedial letters to Respondent's customers. (Resp. App. 15.) Petitioners asked District Judge Reed to review the order, which he did. (Pet. App. 18-24.) Judge Reed affirmed the sanction and the remedial letters, but modified the letters to remove the words "misuse" and "sanction" from the text of the letters. (Pet. App. 22.)

In affirming Magistrate Judge Cooke's order, Judge Reed applied the highest level of First Amendment scrutiny to the letters, the "strict scrutiny" standard, which requires a compelling government interest. (Pet. App. 21-22.) Judge Reed also found that Petitioners had clearly violated Magistrate Judge Cooke's order, and that

"[Petitioners'] divergent and potentially harmful use of its discovery outside the scope of the order and its own agreement with [Respondent] implicates a bad faith disregard of both the order and its agreements." (Pet. App. 21.) Judge Reed found that ensuring the integrity of the judicial process was a compelling government interest, and because Petitioners had shown "a bad faith disregard of both the order and its agreements," that a modified remedial letter, without the words "misuse" or "sanction" was necessary. He affirmed the Magistrate Judge's order as modified. (Pet. App. 22.)

Petitioners now contend that the District Court order and the Federal Circuit order affirming that decision prevented them from communicating with class members, and also violated the First Amendment by forcing them to write remedial letters against their wishes. The Federal Circuit affirmed the District Court rulings in all respects.

REASONS FOR DENYING THE PETITION

The decisions below do not conflict with a decision of this Court or any Court of Appeals, nor do they implicate a federal question that has not been decided by this Court. Accordingly, Petitioners have not carried their burden of demonstrating any "compelling reasons" for the Petition to be granted. *See* Sup. Ct. R. 10.

I. Summary Judgment Is Appropriate on the Defense of Obviousness.

Petitioners first contend that obviousness is always a jury question, and should never be decided by the trial judge under any circumstances: "When finding that an

invention is 'obvious' and overruling an experienced patent examiner's issuance of a patent, a district court should not have the right to take this decision away from a jury." (Pet. at 6.) Petitioners offer no legal authority whatsoever for this proposition, only their opinion. (*Id.*)

Petitioners' opinion is not the law. The Federal Circuit has long held that obviousness is a question of law. *See, e.g., Newell Cos. v. Kenney Mfg. Co.*, 864 F.2d 757, 762 (Fed. Cir. 1989) ("All of our precedent holds that, where the only issue is, as here, the application of the statutory standard of obviousness (35 U.S.C. § 103) to an established set of facts, there is only a question of law to be resolved by the trial judge. . . . ") The *Newell* court squarely addressed the question "whether a litigant is entitled to a jury verdict on a disputed issue of obviousness where there are no disputed issues of material fact underlying that issue." 864 F.2d at 761-62. After noting that "all of our precedent" holds that obviousness is a question of law when there are no disputed facts (*Id.* at 762), the *Newell* Court reviewed an unbroken line of Federal Circuit precedent holding that obviousness is a pure question of law when there are no disputed issues of material fact underlying that issue. *See, e.g., Medtronic, Inc. v. Intermedics, Inc.*, 799 F.2d 734, 738 (Fed. Cir. 1986) ("Obviousness is a question of law."); *Structural Rubber Prods. Co. v. Park Rubber Co.*, 749 F.2d 707, 718-19 (Fed. Cir. 1984) ("The introduction of a jury cannot change the *nature* of the obviousness decision. It continues to be a legal issue for the court.") (Emphasis in original; remainder of internal citations omitted.)

The obviousness question in the case below was purely a legal question, because there were no disputed issues of material fact underlying the obviousness determination,

only the application of the obviousness standard to an established set of facts. Petitioners weakly suggest that there was a fact question on secondary considerations because "the Carpad product actually worked and was commercially successful, while two earlier patented products never worked properly, and were not commercially successful." (Pet. at 6.) Petitioners have never offered – and they do not now offer – any actual proof or evidence to support these assertions, as Judge Reed held:

> There is sparse evidence in the record on secondary considerations, the only evidence contained in Mr. Saylor's affidavit in which Mr. Saylor in very conclusory terms states that the Schumacher and Robel devices were never commercially produced. There's no indication as to what the basis for that information is, except Mr. Saylor's experience in the area generally.
>
> (Pet. App. 17.)

Judge Reed correctly held that this "sparse evidence" – consisting only of unsupported and conclusory affidavit testimony from Mr. Saylor – was not enough to overcome summary judgment. "When the moving party has carried its burden under Rule 56(c), its opponent must do more than simply show that there is some metaphysical doubt as to the material facts." *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 586 (1986). Saylor's unsupported testimony regarding the Schumacher and Robel devices was not enough to create any disputed issue of material fact on secondary considerations. Because there were no "disputed issues of material fact underlying" the obviousness issue, the obviousness question was a pure question of law, as the Federal Circuit has held in "all of our precedent." *Newell*, 864 F.2d at 762.

And because the obviousness question was one of law, summary judgment was appropriate. *See, e.g., Sandt Technology, Ltd. v. Resco Metal and Plastics Corp.*, 264 F.3d 1344, 1355 (Fed. Cir. 2001) (affirming trial court ruling granting summary judgment for alleged infringer, and affirming trial court ruling that patentee's claims were obvious and invalid: "We see no error in the district court's conclusion in this case that the secondary considerations cannot overcome the strong evidence of obviousness presented.") Summary judgment was even more appropriate in the case below, because Petitioners presented virtually *no* evidence of secondary considerations, while the patentee in *Sandt* presented evidence of secondary considerations, which were still insufficient to overcome summary judgment. (*Id.* at 1355.) Thus, Petitioners' contention that obviousness is always a question for the jury is not, and has never been, the law.

Petitioners' final contention is that the Federal Circuit's decision affirming the District Court conflicts with an 1895 decision from this Court, *Consolidated Electric Light Co. v. McKeesport Light Co.*, 159 U.S. 465 (1895). This contention merits very little discussion.

The District Court held that Petitioners' patent was obvious under Section 103 of the patent code, and the Federal Circuit affirmed this ruling. (Pet. App. 17.) Section 103 became part of the patent code in 1952, as part of the Patent Act of 1952. *See* 35 U.S.C. § 103, Historical and Statutory Notes, 1952 Notes (2007). *See also Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 3 (1966) (noting that with the Patent Act of 1952 and the addition of the obviousness test, "the Congress has for the first time expressly added a third statutory dimension to the two requirements of novelty and utility *that had been the sole*

statutory test since the Patent Act of 1793.") (Emphasis added.) Petitioners make no effort to explain how the Federal Circuit's October 5, 2006 decision affirming the District Court's obviousness ruling conflicts with *Consolidated Electric*, when *Consolidated Electric* was decided 57 years before the obviousness test came into existence. Although Petitioners once again argue that *Consolidated Electric* requires the Court to consider commercial success (Pet. App. 6), the District Court properly held that Petitioners had not submitted sufficient evidence of commercial success, and therefore there was nothing to consider. (Pet. App. at 17.)

Petitioners have not carried their burden, because this is nothing more than a case where the District Court granted summary judgment on a question of law, after finding no genuine issues of material fact. This case presents no "compelling reason" for the Petition to be granted. *See* Sup. Ct. R. 10.

II. Requiring Petitioners to Send Remedial Letters as a Sanction for Violating the Court's Orders Did Not Violate Their First Amendment Rights.

Petitioners assert that the District Court's order requiring them to send remedial letters as part of their sanction violates their First Amendment rights because (1) it prevented them from communicating with class members, which they contend violates *Gulf Oil Co. v. Bernard*, and (2) it forced them to say things against their wishes, "something that the government wants to be said." (Pet. at 5.) Neither argument has any merit.

As the District Court correctly noted, *Gulf Oil Co. v. Bernard*, 452 U.S. 89 (1981) is completely inapplicable to this case, because this case dealt with an existing class action, and an order that precluded lead plaintiffs from communicating with other class members, or potential members. (Pet. App. 21.) There was no class action pending in the case below, and there is still no class action pending. The District Court correctly noted that the remedial letter did not prevent Petitioners from contacting potential class members using their own means:

> In this case, however, Plaintiffs are not being prevented entirely from communicating with potential class members during a pending class action suit. Rather, Plaintiffs are being told they cannot use specific discovery obtained in one case for any purpose other than the specified purpose of conducting consumer surveys relevant for that case. Plaintiffs' right to locate and contact potential class [members] by their own means has not been infringed.

(Pet. App. 21.)

Nothing in the District Court order prevented Petitioners from contacting potential class members through other means, for example newspaper advertisements, or advertisements placed in trade magazines or catalogs. That Petitioners chose not to use these means does not give them the right to violate specific court orders. Petitioners offer no support or any legal authority for their theory that the First Amendment allows them to violate narrowly tailored court orders.

In addition, the remedial letters do not violate Petitioners' right to silence, nor do they require Petitioners to

espouse a particular viewpoint. This is so for at least two reasons.[1]

First, despite Petitioners' breathless assertions, this case does not implicate the traditional weighty First Amendment issues that normally concern the Court. Petitioners were not asked to swear allegiance to a flag, or espouse religious views at odds with their own, or profess fealty to a political candidate, nor were they forced to adopt any particular political or social opinion. They were simply asked to write corrective letters as a sanction for violating a court order. The Court has recognized that not all free speech concerns are of the same order.

In *Zauderer v. Supreme Court of Ohio*, 471 U.S. 626 (1985), the Court ruled that an Ohio disciplinary rule that required attorneys who advertise their services to disclose certain information about their services did not violate the First Amendment: "Ohio has not attempted to prevent attorneys from conveying information to the public; it has only required them to provide somewhat more information than they might otherwise be inclined to present." 471 U.S. at 650. The *Zauderer* Court also recognized that "in some instances compulsion to speak may be as violative of the First Amendment as prohibitions on speech," 471 U.S. at 650, but that the interests at stake concerning the Ohio disciplinary rule "are not of the same order" as those discussed in other cases, for example the *Barnette* case cited by Petitioners here. (Pet. at 5.) The *Zauderer* Court noted the difference between "prescrib[ing] what shall be

[1] In addition to the reasons cited herein, it appears that Petitioners have already sent the remedial letters. (Resp. App. 21.) This is an additional reason to deny the petition.

orthodox in politics, nationalism, religion, or other matters of opinion or forc[ing] citizens to confess by word or act their faith therein," and simply requiring people to provide factual information. 471 U.S. at 651. The information that the District Court required Petitioners to send is simply not of the same order as the affirmations of faith or political opinions addressed in Petitioners' cases.

Second, the District Court applied the highest level of First Amendment scrutiny to the remedial letters, the strict scrutiny standard, which requires the court to find a compelling government purpose for the restriction in question. (Pet. App. 21-22.) The District Court correctly found that "ensuring the integrity of the judicial process is a compelling government interest," (Pet. App. 22), and that the remedial letters satisfied that compelling government purpose. (*Id.*) Under the strict scrutiny standard, a restriction will survive if it is narrowly drawn to achieve the compelling government interest. *See, e.g., Burson v. Freeman*, 504 U.S. 191, 211 (1992) (holding that a state law that restricted speech based on content was narrowly tailored, and therefore survived strict scrutiny). The government interest in the case below – "ensuring the integrity of the judicial process" – was equally compelling.

The District Court has broad inherent powers to "fashion an appropriate sanction for conduct which abuses the judicial process." *Chambers v. NASCO*, 501 U.S. 32, 44-45 (1991). This broad inherent power gives the federal courts power to vacate a judgment or dismiss a suit outright "upon proof that a fraud has been perpetrated upon the court." 501 U.S. at 44. In the case below, Petitioners deceived the court, and used the court as an instrument to perpetrate a fraud upon Respondents, and the court. Petitioners sought the court's assistance to

obtain confidential information, ostensibly to conduct a consumer survey, knowing full well that they had no intention of conducting a consumer survey. Petitioners then used that information for a completely different and unauthorized purpose that was "divergent and potentially harmful." (Pet. App. 21.)

Given the Petitioners deceptive and harmful conduct, the District Court correctly held that "ensuring the integrity of the judicial process" was a compelling government interest. (Pet. App. 22.) Because it was a compelling government interest, the District Court was well within its inherent power to "fashion an appropriate sanction for conduct which abuses the judicial process." 501 U.S. at 44-45. Requiring Petitioners to send narrowly tailored remedial letters was an appropriate sanction. *See, e.g., Nault's Auto. Sales, Inc. v. Am. Honda Motor Co.*, 148 F.R.D. 25, 37 (D.N.H. 1993) (imposing Rule 11 sanction requiring attorneys to write letters of apology), *impliedly overruled on other grounds by Averill v. Cox*, 761 A.2d 1083 (N.H. 2000); *In re Gooch*, 250 B.R. 887, 900 (Bankr. S.D. Ohio 2000) (ordering attorneys to write letters of apology).

Because the District Court applied the highest level of scrutiny, Petitioners assertion that "the district court in the case at bar did not weigh the competing factors as required by the Supreme Court" is manifestly false. Therefore, Petitioners have not carried their burden of demonstrating that the Federal Circuit's decision conflicts with a decision of this Court, or a Court of Appeals, or that it implicates an important question of federal law that has not been settled.

CONCLUSION

Petitioners have not established any compelling reasons for this Court to grant the Petition. Therefore, Respondent respectfully requests that the Petition be denied.

Respectfully submitted,

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USPTO PATENT FULL-TEXT AND IMAGE DATABASE

United States Patent **5,308,670**

Saylor **May 3, 1994**

Floor cover with raised sides

Abstract

The invention comprises a vinyl pad with raised sides. The pad is placed beneath a parked vehicle in a garage, maintenance, or storage area to catch melting snow, water, sand, salts, solvents, oils, mud and dirt falling off the vehicle and containing the material on the pad.

Inventors: **Saylor; Steven S.** (Dayton, NV)

Appl. No.: **08/019,623**

Filed: **April 19, 1993**

Current U.S. Class:	**428/81** ; 206/557; D12/203
Current International Class:	F16N 31/00 (20060101); F16N 031/00 ( )
Field of Search:	296/97.23 15/215 206/557 404/35,36 428/81 D12/203

References Cited [Referenced By]

U.S. Patent Documents

2897963	August 1959	Byers, Jr.
3094350	June 1963	Cusick
3401975	September 1968	Oger
4798754	January 1989	Tomek
5128189	July 1992	Bartlett

Primary Examiner: Epstein; Henry F.
Attorney, Agent or Firm: Armstrong, Westerman, Hattori, McLeland & Naughton

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Claims

I claim:

1. A pad for positioning underneath a vehicle for collecting and retaining fluid and solid materials falling from the vehicle, comprising a flat and generally rectangular base of vinyl material having outer edge portions folded over and affixed to the base material thereby forming a hollow pocket extending along each edge of the base, and a tubular member inserted into and extending along a length of each of the edge pockets, thereby forming raised sides and creating, with a flat portion of the pad, a basin to contain the materials falling off the vehicle.

2. A pad according to claim 1, wherein the outer edge portions of the base are folded over and welded to the base material.

3. A pad according to claim 2, wherein the tubular member is reinforced hose.

4. A pad according to claim 3, wherein corners of the base are trimmed at an angle of 45 degrees.

Description

SUMMARY OF THE INVENTION

This invention relates to a pad for a garage floor, beneath a vehicle. The pad is designed to catch and contain water, snow, salt, sand, dirt, grease, oils and solvents falling off the vehicle. The pad prevents runoff of water, damage to

floor and surroundings from salts, grinding sand, flooding and solvents.

BRIEF DESCRIPTION OF DRAWINGS

FIG. 1 is a top plan view of the full vinyl sheet.

FIG. 2 is a corner detail of welded vinyl sheet with hose insert in a vinyl pocket.

FIG. 3 is a cross section of the vinyl pocket with hose insert.

DESCRIPTION OF PREFERRED EMBODIMENT

FIG. 1 shows a top view of the vinyl pad, 6. The corners of the pad are trimmed at a 45 degree angle, 2. The outer edge 1 of the trimmed pad 6 is folded over, as at 3, and RF (radio frequency) butt welded, at 4. This creates a pocket 5. Pocket 5 is open on each end, as at 8 (FIG. 2). A piece of reinforced rubber hose 7 (FIGS. 2 and 3), the length of pocket 5, is inserted into the open end 8, thus raising the sides of the pad. This is done on all four sides, creating a basin to contain the elements falling off the vehicle onto the pad. The pad can be made in various sizes with varying size hose diameters.

* * *

UNITED STATES DISTRICT COURT

DISTRICT OF NEVADA

CARPAD, INC., and STEVEN SAYLOR, Plaintiffs, vs. BROOKSTONE COMPANY, INC., Defendant.	CV-N-02-0557-ECR (VPC) **ORDER** (Filed Dec. 2, 2004)

Before the court is defendant's motion to bar plaintiffs' trade dress survey, compel plaintiffs to return or destroy defendant's customer lists, and other specified relief (#134-37). Plaintiffs opposed (#142), and defendant replied (#144). The court held a hearing on the motion on December 2, 2004 (#148). The court has thoroughly reviewed the parties' pleadings and grants in part and denies in part defendant's motion (#134).

I. HISTORY & PROCEDURAL BACKGROUND

Plaintiffs Carpad, Inc. and Steven Saylor ("plaintiffs") brought this action against defendant Brookstone Company, Inc. ("defendant") for patent infringement, trademark infringement, trade dress infringement, and unfair competition (#1). Plaintiffs own a patent for a "Floor Cover with Raised Sides" and a trademark for "CarPad®." *Id.* The CarPad® is used in a garage or storage area to prevent melting snow or other debris from coming into contact with the floor. *Id.* Plaintiffs advertised CarPad® in the Brookstone catalogs, which are distributed nationwide. *Id.* In 2001, defendant allegedly began selling a garage

floor cover similar to CarPad®. *Id.* Plaintiffs brought the present suit in 2002. *Id.* In January 2003, defendant began selling Park Smart®, a car mat manufactured by a California company (#78, exh. C).

Plaintiffs requested defendant's customer lists, but defendant refused on the ground that they are confidential (#144, exh. A, interrogs. 10 & 17). Plaintiffs moved to compel defendant to disclose the lists (#74) so plaintiffs "could conduct a consumer survey of those who actually purchased the products at issue in this case and to discover the names of witnesses who could testify as to actual confusion" (#75). Defendant opposed on several grounds, including that plaintiffs did not offer "authority that such a survey must include confidential sales information" (#78). On January 26, 2004, the court granted the motion to "permit plaintiffs to obtain consumer information from defendant for the purposes of conducting consumer surveys" (#91).

On February 6, 2004, defendant told plaintiffs that it "was very concerned" about providing customer information to third parties and asked to review the survey questions "to ensure that the survey did not contain any legally or factually inaccurate statements" before providing customer information (#136, exh. B). Plaintiffs agreed, and defendant twice wrote plaintiffs to confirm the agreement (#136, exh. C). Plaintiffs provided the survey questions (#136, exh. H), and defendant reviewed them for factual and legal accuracy (#144, exh. E). Defendant agreed to provide its customer lists but reminded plaintiffs that "the Court limited the scope of your original Interrogatories." *Id.* Defendant then provided the customer lists on March 9 and May 14, 2004 (#136, exhs. B & C). Defendant called and wrote plaintiffs in September and October

2004 to inquire about the survey results (#136, exhs. C & D).

On September 22, 2004, plaintiffs wrote to a Brookstone customer "regarding a fraud that was perpetrated upon you by the BROOKSTONE Company when you ordered one or more of our CARPAD products" (#136, exh. F). The letter included the customer's purchase date and order number, and stated that after Brookstone catalogs featured CarPad® products,

> BROOKSTONE infringed on our patent, copyright and trademarked material by secretly manufacturing our CARPAD in Taiwan and then marketing it to you and thousands of others as a genuine CARPAD, proudly MADE IN THE USA, using our full page advertisement in their catalog.
>
> This is clearly an unlawful act and Brookstone's actions in this matter are so flagrantly wrong and unjustified in stealing our product then selling you a phony knockoff just to fatten their own pockets at your and our expense. Unable to resolve this matter with Brookstone we filed a Federal lawsuit against Brookstone, which is currently going forward.
>
> There is legal recourse for you. Brookstone has clearly defrauded you and therefore you are eligible to join a Class Action Lawsuit that is being filed in Federal Court. There is no expense to you and you will be eligible to receive a portion of the settlement monies that will be awarded.

Id. The letter provided a response card and concluded: "I hope you are as outraged as those of us at CARPAD by

BROOKSTONE's greed and abusive behavior at the expense of all of us." *Id.*

After learning of plaintiffs' letter, defendant objected to plaintiffs (#136, exh. G) and filed this motion (#134). Defendant has not received plaintiffs' survey results as of December 1, 2004 (#148).

II. DISCUSSION & ANALYSIS

A. Discussion

1. The Court's Inherent Power

"Courts are invested with inherent powers that are governed not by rule or statute but by the control necessarily vested in courts to manage their own affairs so as to achieve the orderly and expeditious disposition of cases." *Lewis v. Tel. Employees Credit Union,* 87 F.3d 1537, 1557 (9th Cir. 1996) (citation and quotation omitted). The court may invoke that inherent power to "impose sanctions for discovery abuses that may not be a technical violation of the discovery rules." *Id.* at 1157-58 (citation and quotation omitted). The court has "broad discretion to make discovery and evidentiary rulings conducive to the conduct of a fair and orderly trial." *Id.* at 1557 (citation and quotation omitted).

The Ninth Circuit specifically recognizes five sanctions under the court's inherent power for destruction or spoilation of evidence: (1) default judgment, *Chambers v. NASCO, Inc.,* 501 U.S. 32, 45 (1991); (2) testimony exclusion, *Glover v. BIC Corp.,* 6 F.3d 1318, 1329 (9th Cir. 1993); (3) jury instruction allowing an adverse inference, *Id.*; (4) civil contempt sanctions, either to coerce the party's compliance or compensate the damaged party, *Whittaker*

Corp. v. Execuair Corp., 953 F.2d 510, 516 (9th Cir. 1992); and (5) attorney's fees, *Chambers,* 501 U.S. at 45.

When weighing the various sanctions,

> the Court should chose a sanction designed to: (1) penalize those whose conduct may be deemed to warrant such a sanction; (2) deter parties from engaging in the sanctioned conduct; (3) place the risk of erroneous judgment on the party who wrongfully created the risk, and (4) restore the prejudiced party to the same position he would have been in absent the wrongful destruction of evidence by the opposing party.

Advantacare Health Partners, LP v. Access IV, No. C 03-04496 JF, 2004 WL 19837997, *4 (N.D. Cal. Aug. 17, 2004) (citations omitted). Sanctions may be issued when the spoilation is not in bad faith but the party had notice that the destroyed evidence was potentially relevant. *Id.* At the same time, a party's motive or degree of fault is relevant in selecting a sanction. *Id.*

The court may "exclude testimony of witnesses whose use at trial . . . would unfairly prejudice an opposing party." *Lewis v. Tel. Employees Credit Union,* 87 F.3d 1537, 1557 (9th Cir. 1996) (citation and quotation omitted). Exclusions must be "carefully fashioned to deny [the offending party] the fruits of its misconduct yet not interfere with [the offending party's] right to produce other relevant testimony." *Id., quoting Campbell Indus. v. M/V Gemini,* 619 F.2d 24, 27 (9th Cir. 1980). The Ninth Circuit has accepted exclusion when the offending party spoiled or disposed of evidence before the opponent had notice of a claim and an opportunity to examine the evidence. *See, e.g., Lewis,* 87 F.3d at 1556-60.

2. Discovery Sanctions

If a party violates a discovery order issued pursuant to Federal Rule of Civil Procedure 37(a), the court may sanction the offending party. FED. R. CIV. P. 37(b)(2). Rule 37 sanctions are supported by three rationales: (1) to prevent the party from profiting from its failure to comply with a discovery order; (2) to specifically deter and secure compliance in the instant case; or (3) to generally deter against flagrant disobedience and callous disregard of discovery orders when a party is at fault. *United States v. Sumitomo Marine & Fire Ins.*, 617 F.2d 1365, 1369 (9th Cir. 1980) (citation omitted). The numerated sanctions include evidentiary exclusion, but the court may issue any sanction that is just. FED. R. CIV. P. 37(b)(2)(B). Whether a sanction is just is determined by whether the party had notice and warning, the availability of less sanctions, prejudice suffered by the opposing party, and the severity of the sanction in relation to the conduct. *In re Rubin*, 769 F. 2d 611, 615-19 (9th Cir. 1985). Exclusion of evidence is a severe sanction. *See, e.g., Sumitomo Marine*, 617 F.2d at 1369-71 (affirming monetary sanction after eight months of noncompliance with discovery order delay and exclusion after eighteen months of noncompliance); *Von Brimer v. Whirlpool Corp.*, 362 F. Supp. 1182, 1185-86 (N.D. Cal. 1973), reversed in part on other grounds, 536 F.2d 838 (9th Cir. 1976) (excluding evidence produced day before trial to comply with discovery order). If a party violates a discovery order, the court shall order the party, attorney, or both to pay the reasonable expenses including attorney's fees to the party moving for sanctions. FED. R. CIV. P. 37(b)(2).

B. Analysis

1. Violation of Discovery Order

Plaintiffs moved to compel defendant to provide its customer lists pursuant to Federal Rule of Civil Procedure 37(a) (#74). The court granted the motion (#91), but defendant contends that plaintiffs "deliberately misled the Court as to their intentions in seeking" defendant's customer lists and misused them in contravention of the court's order by soliciting clients for a class-action lawsuit (#135). Plaintiffs do not deny using defendant's customer lists to mail the class-action letter, but note that they did so without approval from plaintiffs' counsel (#142, p. 5). Nonetheless, plaintiffs contend that using the customer lists to send the class-action letter does not violate the discovery order because defendant did not obtain a protective order for its customer lists, plaintiffs have a First Amendment right to communicate with others, and defendant does not make a valid legal argument (#142). The court agrees with defendant.

The discovery order is unequivocal: "The court will permit plaintiffs to obtain consumer information from defendant for the purposes of conducting consumer surveys" (#91). There is no evidence plaintiffs have conducted a consumer survey in the six months since they received defendant's customer lists, and they acknowledge they have not submitted results to defendant (#142). Plaintiffs still intend to submit results but have been delayed by hundreds of hours resolving "inconsistencies" in the customer lists. *Id.* Plaintiffs do not elaborate on the inconsistencies and or offer evidence to support their contention. Any inconsistencies, however, did not stop plaintiffs from using the lists to send customers a letter charging defendant with "secretly manufacturing" a

"phony knockoff" to "fatten their own pockets at your and our expense" (#135, exh. F). Plaintiffs also used the letter to invite customers to join a proposed class-action lawsuit because defendant engaged in "fraud," "infringement," an "unlawful act," "flagrantly wrong and unjustified" actions, and "greed and abusive behavior." *Id.* Plaintiffs violated the court's discovery order when it used defendant's customer lists for the class-action letter.

Plaintiffs cannot use defendant's customer lists for any purpose simply because defendant did not move for a protective order. Defendant made it clear to plaintiffs and the court that it considered its customer lists proprietary and confidential (#78; #136, exhs. B & C; & #144, exhs. A & E), and the plain language of the court order limits plaintiffs' use of the customer lists (#91). Plaintiffs at least impliedly agreed that the information was confidential and its use limited to customer surveys when plaintiffs agreed to let defendant review the proposed survey questions before defendant provided the customer lists (#136, exhs. B, C & H; #144, exh. E). Thus, there was no dispute between plaintiffs and defendant about the customer lists, and defendant did not have grounds to move for a protective order. FED. R. CIV. P. 26(c) (stating that parties must be unable to resolve a dispute before moving for a protective order).

Plaintiffs' other arguments lack merit. Plaintiffs do not cite any authority to support their argument that the First Amendment allows them to violate the court order. Plaintiffs also are mistaken about the validity of defendant's legal argument. *Chambers v. NASCO, Inc.*, 501 U.S. 32 (1991), remains good law regardless of plaintiffs' belief that the current United States Supreme Court would decide differently (#142). *Unigard Security Insurance Co.*

v. Lakewood Engineering & Manufacturing Corp., 982 F.2d 363 (9th Cir. 1992), also applies regarding federal civil procedure regardless of its basis in admiralty (#142). *See, e.g., Lewis v. Tel. Employees Credit Union*, 87 F.3d 1537, 1556-57 (9th Cir. 1996) (applying *Unigard* with federal question).

2. Sanctions

a. Bar Trade Dress Survey/Return or Destroy Customer Lists

Defendant contends the court should exclude the customer survey because plaintiffs' misuse of the customer lists taints the survey pool and makes it difficult or impossible for defendant to challenge the results and obtain a fair trial on the trade dress issues (#135). Defendant also contends that plaintiffs should return or destroy the customer lists because of their misconduct. *Id.* The court agrees.

The court has extremely serious concerns about plaintiffs' conduct in this case. The court previously sanctioned plaintiffs' counsel for refusing to produce witnesses for deposition (#80) and had to issue a supplemental order six months later to compel plaintiffs' counsel to pay the sanction (#114). In the present order, the court found plaintiffs violated the discovery order by using defendant's customer list for their class-action letter. Further, there is no evidence that plaintiffs conducted the customer survey – the sole reason they sought defendant's customer lists – in more than six months since defendant provided the customer lists (#136, exh. C), and plaintiffs have not yet provided defendant with any survey results (#148). The most plaintiffs contend is that inconsistencies

in the customer lists have delayed the survey (#142), that plaintiffs are compiling the results (#148), and that plaintiffs still intend to submit the results (#142), but they do not elaborate or offer evidence on any point.

Plaintiffs have had ample time – more than six months – to conduct the survey and provide its results to defendant. As of December 1, 2004, no survey has been produced. The discovery deadline has passed,[1] and defendant would be prejudiced by the late admission of the survey results as evidence even if plaintiffs produced the results today. The court recognizes that exclusion is an extreme remedy, but plaintiffs' delay in producing the survey results has created extreme prejudice to defendant. Defendant would only have approximately sixty days to review the results, depose any additional witnesses identified by the survey, and file objections or other motions before trial on February 8, 2005 (#143). In addition, the publication of the class-action letter – by improper use of defendant's customer lists obtained by court order – has tainted the survey results and further prejudiced defendant. The court finds the egregious abuse of discovery in this case and the resulting prejudice to defendant requires the court to invoke its inherent power to exclude the customer survey. *Lewis v. Tel. Employees Credit Union,* 87 F.3d 1537, 1557-58 (9th Cir. 1996).

Plaintiffs also shall return to defendant all customer lists and related information provided by defendant no

[1] The joint discovery plans and scheduling orders do not provide a specific discovery deadline. The parties originally agreed to finish discovery by October 17, 2003 (#60), although the court approved another plan and order on March 15, 2004, without specifying a discovery deadline (#104).

later than Monday, December 27, 2004; to the extent that plaintiffs have duplicate copies of defendant's customer information, it shall destroy such copies. Plaintiffs' counsel and the individual plaintiffs shall file affidavits of compliance of this provision of the court's order no later than Wednesday, December 29, 2004.

b. Attorney's Fees & Costs/Sanctions

Defendant's motion for attorney's fees and costs (#136) is granted because plaintiffs violated the discovery order (#91). FED. R. CIV. P. 37(b)(2). The court orders plaintiffs individually to pay seventy-five percent of defendant's attorney's fees and costs because they sent the class-action letter without counsel's approval (#142), and plaintiffs' counsel to pay twenty-five percent because he provided plaintiffs with the customer lists for the letter (#148). However, neither plaintiffs nor plaintiffs' counsel provided affidavits to support their statements concerning the origins of the class-action letter. Therefore, plaintiffs and plaintiffs' counsel shall file affidavits with this court no later than Wednesday, December 8, 2004, attesting to the facts and background leading to the drafting and mailing of the class-action letter (#136, exh. F). The court may *sua sponte* reapportion the attorney's fees and costs if the affidavits reveal facts other than what has been represented to the court to date.

Defendant's counsel shall submit to the court a memorandum of attorney's fees and costs no later than Friday, December 17, 2004. The fees and expenses shall be limited to those associated with the present motion (#134-37). *Toth v. TWA, Inc.*, 862 F.2d 1381, 1385-86 (9th Cir. 1988).

The court then shall determine an appropriate amount of attorney's fees and costs and issue a separate order.

Defendant's motion to sanction counsel (#136) is denied without prejudice because plaintiffs' opposition – without evidentiary basis – states that plaintiffs sent the class-action letter without counsel's approval (#142). Defendant has leave to refile a motion to sanction plaintiffs' counsel if the affidavits from plaintiffs and plaintiffs' counsel provide a basis for such motion.

c. Remedial Letters

The court invokes its inherent powers to mitigate any damage done by plaintiffs' misuse of defendant's customer lists. *Lewis v. Tel. Employees Credit Union,* 87 F.3d 1537, 1557-58 (9th Cir. 1996); *Advantacare Health Partners, LP v. Access IV,* No. C 03-04496 JF, 2004 WL 19837997, *4 (N.D. Cal. Aug. 17, 2004) (citations omitted) (holding that sanctions should restore prejudiced party to position it would have been absent the discovery violation). Plaintiffs shall send a remedial letter to all persons and entities that received the class-action letter. The letter shall state the following: (1) Carpad, Inc. and President/CEO Steven Saylor are engaged in civil litigation with Brookstone, Inc. over Brookstone's alleged infringement of and unfair competition with the CarPad® brand; (2) the litigation has not yet concluded, and Brookstone has not been found liable on any claims brought by plaintiffs; (3) CarPad acquired customer information from Brookstone by a court order to survey and evaluate customer opinions about CarPad and Brookstone; (4) CarPad misused the customer information in contacting customers regarding the possible class-action lawsuit, resulting in a court order sanctioning

CarPad and requiring CarPad to send this letter to all persons and entities that received the original class-action letter; and (5) there is no class-action lawsuit to date, and CarPad cannot guarantee any result in the event that such a class-action lawsuit is filed in the future.

Plaintiffs shall submit a draft letter to defendant and file the draft letter with this court no later than Thursday, December 9, 2004, and defendant may make any reasonable changes to the letter by Monday, December 13, 2004. If a dispute arises concerning the contents of this letter, defendant's counsel shall notify the deputy clerk of this court no later than Tuesday. December 14, 2004, to schedule a telephonic hearing the week of December 13, 2004, to resolve any dispute. If this court determines the hearing was caused by either party acting in bad faith, the court will *sua sponte* entertain sanctions against the offending party.

Plaintiffs shall mail the letter at their own expense to all persons and entities that received the original class action letter no later than Monday, December 27, 2004. Plaintiffs also shall file a notice of mailing with this court, attaching the letter and a certificate of service signed by plaintiffs' counsel attesting that the mailing has been completed in accordance with this order. This notice shall be filed no later than Wednesday, December 29, 2004.

3. Final Joint Pretrial Order

The court denies defendant's motion to stay the final joint pretrial order (#134). Defendant effectively seeks to amend its counter-claim with a libel claim distinct from the present infringement and unfair competition claims. Defendant acknowledges that the libel claim "will require

additional witnesses, and additional facts and legal theories" (#135). Given that the court has issued its joint pretrial order and set the matter for trial in approximately two months, the court finds that this case is too far advanced to allow defendant to add a new and distinct claim. Therefore, defendant's motion for a stay (#136) is denied.

III. CONCLUSION

Based on the foregoing and for good cause appearing, the court orders that:

1. Defendant's motion to bar plaintiffs' trade dress survey (#134) is **GRANTED**.

2. Defendant's motion to compel plaintiffs to return or destroy defendant's customer lists (#134) is **GRANTED**. Plaintiffs shall return the lists and destroy any duplicates no later than Monday, December 27, 2004. Plaintiffs' counsel and the individual plaintiffs shall file affidavits of compliance with this provision no later than Wednesday, December 29, 2004.

3. Defendant's motion for attorney's fees and costs (#134) is **GRANTED**, with plaintiffs individually responsible for seventy-five percent and plaintiffs' counsel responsible for twenty-five percent of the total amount of attorney's fees and costs ultimately ordered to be paid. However, plaintiffs' counsel and the individual plaintiffs shall file affidavits with this court no later than Wednesday, December 8, 2004, attesting to the facts and background leading to the drafting and mailing of the class-action letter (#136, exh. F). The court may *sua sponte* reapportion the attorney's fees and costs if the affidavits reveal facts other than what has been represented to the

court to date. Defendant's counsel shall submit attorney's fees and costs to the court by Friday, December 17, 2004, and this court will determine an appropriate amount of attorney's fees and costs and issue a separate order.

4. Defendant's motion to sanction plaintiffs' counsel (#134) is **DENIED** without prejudice.

5. Defendant's motion to compel plaintiffs to send remedial letters (#134) is **GRANTED**. Plaintiffs shall provide defendant no later than Thursday, December 9, 2004, with a draft letter containing the following information: (1) Carpad, Inc. and President/CEO Steven Saylor are engaged in civil litigation with Brookstone, Inc. over Brookstone's alleged infringement of and unfair competition with the CarPad® brand; (2) the litigation has not yet concluded, and Brookstone has not been found liable on any claims brought by plaintiffs; (3) CarPad acquired customer information from Brookstone by a court order to survey and evaluate customer opinions about CarPad and Brookstone; (4) CarPad misused the customer information in contacting customers regarding the possible class-action lawsuit, resulting in a court order sanctioning CarPad and requiring CarPad to send this letter to all persons and entities that received the original class-action letter; and (5) there is no class-action lawsuit to date, and CarPad cannot guarantee any result in the event that such a class-action lawsuit is filed in the future.

Defendant may make any reasonable changes to the letter and provide them to plaintiffs no later than Monday, December 13, 2004. If a dispute arises concerning the contents of the letter, defendant's counsel shall contact the deputy clerk of this court no later than Tuesday, December 14, 2004, to schedule a telephonic hearing the week of

December 13, 2004. Plaintiffs shall mail the letter at their own expense by Monday, December 27, 2004, to all persons and entities who received the class-action letter. Plaintiffs also shall file a notice of mailing with this court, attaching the letter and a certificate of service signed by plaintiffs' counsel attesting that the mailing has been completed in accordance with this order. This notice shall be filed no later than Wednesday, December 29, 2004.

6. Defendant's motion to stay the joint pretrial order (#134) is **DENIED**.

7. Due to the approaching trial date, the court orders an expedited schedule for objections to this order. The parties may file objections no later than Tuesday, December 7, 2004. Any opposition shall be filed no later than Friday, December 10, 2004, and a reply shall be filed by Tuesday, December 14, 2004.

DATED: December 2, 2004.

/s/ Valerie P. Cooke
UNITED STATES
MAGISTRATE JUDGE

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UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF NEVADA

CARPAD, INC.,
a Nevada Corporation,
and STEVEN SAYLOR,
an individual

Plaintiffs,

v.

BROOKSTONE COMPANY,
INC.

Defendant

No. CASE NO.
CV-N-02-0557-ECR (VPC)

AFFIDAVIT OF
STEVEN SAYLOR

(Filed July 25, 2005)

STATE OF NEVADA)
) ss:
COUNTY OF LYON)

I, Steven Saylor, affirm that the following statements are accurate and truthful:

1. I am a plaintiff in the above-captioned case.

2. On June 15, 2005, I arranged to have sent by US Mail or email, the remedial letters to persons identified on the address list.

3. From the period of July, 2004 to Nov. 2004, I was suffering extreme pain in my right shoulder which I assumed was due to my being struck across the shoulders by the load door on our commercial truck. This was followed by severe pain in the right shoulder while attempting to start a weed trimmer. I took darvocet that was prescribed for pain from a broken leg which occurred in 1996. My family physician, Brian Ricks, put me on anti inflammatory drugs as well as pain medication. I then went to see Dr Richard Long, who, after xrays and a catscan diagnosed a torn rotator cuff and a bone spur.

4. On January 31, 2005, surgery was performed on my right shoulder. Prior to this surgery, my doctor prescribed percocet for my pain. However, the medication made it very difficult for me to sleep or concentrate so Valium was prescribed.

5. After this initial surgery, I was again prescribed percocet for my pain, which still made it difficult for me to attend my personal and business affairs.

6. Due to complications in this initial surgery, I was required to have a second surgery on my right shoulder on March 24, 2005. After this surgery, I continued to take prescription medicine for my pain.

7. In the meantime, I was experiencing similarly extreme pain in my left shoulder and continued the prescribed medication to control the pain. A catscan confirmed the same problem with that shoulder.

8. My doctor indicated he wanted to perform surgery on my left shoulder as soon as a date became available on his surgery schedule.

9. Surgery was performed on May 31, 2005, which was the first day of trial and rendered me unable to testify during any part of the trial. After the surgery, I was again prescribed percocet and valium.

10. The recovery for both of my shoulders has made it difficult for me to attend to my personal and business affairs.

11. The surgeries, including medical expenses associated with them, have had a dramatic impact on my financial status. I have been unable to work to maintain Carpad, Inc. at an acceptable level of profitability and cash flow has been poor. Carpad and I are arrears in making payments to Mr. Joseph as well as other business related bills because of this same cash-flow problem, and I have been unable to pay the sanction ordered by the Court.

12. I respectfully request the Court to factor in my personal situation and its dramatic impact on me personally and financially.

/s/ Steven Saylor
STEVEN SAYLOR

SUBSCRIBED and SWORN
to before me
this 22 day of July, 2005.

/s/ D.J. Yates [SEAL]
NOTARY PUBLIC 01-70154-12

D.J. YATES
Notary Public –
State of Nevada
Appointment Recorded
in County of Lyon
My Appointment
Expires Aug. 28, 2005

PROOF OF SERVICE BY MAIL.

I hereby certify that I am an employee of WALTHER, KEY, MAUPIN, OATS, COX & LeGOY, Attorneys at Law, and in such capacity and on the date indicated below, I deposited for mailing from a point within the State of Nevada a sealed envelope which had enclosed within a true and correct copy of **AFFIDAVIT OF STEVEN SAYLOR**, which envelope had postage fully prepaid thereon, and was addressed as follows:

Jonathan D. Jay, Esq.
Leffert Jay & Polglaze, P.A.
150 South Fifth Street, Suite 1900
Minneapolis, MN 55402

Dated this 25th day of July, 2005.

/s/ Irene Klippen
Employee